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Microsoft profit rises on deferred Vista sales

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SEATTLE (Reuters) - Microsoft Corp. (MSFT.O: Quote, Profile, Research) posted a forecast-beating 65 percent rise in quarterly profit on Thursday, boosted by revenue booked on discounted license upgrades for its new Windows Vista operating system and Office 2007 software.

Shares of Microsoft rose 3.5 percent to \$30.12 in extended trade. In regular Nasdaq trade, the stock had closed up 11 cents at \$29.10.

Microsoft posted a net profit of \$4.93 billion, or 50 cents per diluted share, in its fiscal third quarter ended March 31 versus a profit of \$2.98 billion, or 29 cents per share, in the year-ago period. Revenue rose 32 percent to \$14.4 billion.

Analysts, on average, had forecast the world's largest software maker to earn 46 cents per share on revenue of \$13.89 billion, with sales estimates ranging from \$13.73 billion to \$14.09 billion, according to Reuters Estimates.

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Microsoft deferred about \$1.7 billion in revenue from its second quarter to its third quarter to account for upgrade coupons given to customers prior to the January launch of Vista and Office 2007.

The company's 2008 business year, which starts in July, will be the first full year of earnings to benefit from consumers buying new PCs loaded with Vista and Office 2007 or companies upgrading computer systems.

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Microsoft forecast diluted earnings per share of between \$1.68 and \$1.72 on revenue of \$56.5 billion to \$57.5 billion for the coming business year.

Analysts had forecast earnings of \$1.69 a share on sales of \$56.34 billion, with estimates ranging from \$55.3 billion to \$59.6 billion, according to Reuters Estimates.

Microsoft expects Vista and Office 2007, the latest versions of its two flagship products, to underpin earnings growth over the next few years. After several delays, Microsoft released both to consumers in January.

As of the close of trade on Thursday, shares of Microsoft had fallen 3 percent since the start of 2007, while the S&P 500 had risen 5 percent in the year to date.

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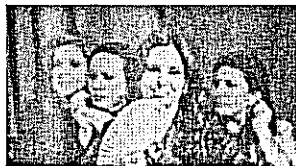
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